

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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## MEMORANDUM

TO: Barnstable County Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: November 23, 2020

Note that we previously approved the total amounts in this schedule in our memorandum dated August 24, 2020. The schedule was recently adjusted to reflect the impact of the 2019 ERI. For completeness, this approval includes our comments from the August approval below.

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made July 1 and January 1 of each fiscal year. The schedule is effective in FY21 (since the amount under the prior schedule was maintained in FY21) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 7.375% to 7.15%.

While we are approving the schedule, we do have some concerns. The prior schedule completed the amortization of the unfunded actuarial liability in FY35. Although the annual change in appropriation level increased from 5.28% to 5.80%, the schedule does not complete the amortization of the unfunded liability until FY37. We have consistently recommended that schedules complete the amortization of the UAL by FY35, but if not, that the appropriation be at least as great as the minimum allowable schedule (4.0% increasing amortization to FY40). If this minimum standard is not met, we recommend 8.0% annual increases in appropriation level (allowed under Chapter 32 in such cases) until the appropriation is greater than the amount under the minimum schedule. We note that it will take several years for the amount under this revised schedule to exceed the minimum amount. However, we also note that the Board adopted a schedule with both a more conservative investment return assumption and a higher level of annual increase.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

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Enc.



# ERI Funding Schedule 1 – 15-year Level Amortization

Fully funded by June 30, 2037  
Appropriations increase by 5.80% per year

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of ERI (2002) Liability	(4) Amortization of ERI (2003) Liability	(5) Amortization of ERI (2010) Liability	(6) Amortization of ERI (2019) Liability	(7) Amortization of Remaining Liability	(8) Plan Cost without Retired Sheriff Liability: (2)+(3)+(4)+ (5)+(6)+(7)	(9) Amortizati on of Retired Sheriff Liability	(10) Actuarially Determined Contribution (ADC): (8)+(9)	(11) Total UAL at Beginning of Fiscal Year	(12) Percent Increase in ADC Over Prior Year
2021	\$19,388,982	\$456,043	\$214,563	\$260,972	\$0.	\$48,373,335	\$68,693,895	\$1,702,810	\$70,396,205	\$810,339,928	--
2022	20,094,798	474,285	223,146	260,972	324,737	51,315,215	72,693,153	1,786,032	74,479,185	814,560,494	5.80%
2023	20,826,130	493,256	232,071	--	324,737	55,044,772	76,920,966	1,878,012	78,798,978	815,526,138	5.80%
2024	21,583,894	512,986	241,354	--	324,737	58,731,618	81,394,589	1,974,730	83,369,319	812,781,604	5.80%
2025	22,369,041	533,506	251,008	--	324,737	62,650,020	86,128,312	2,076,428	88,204,740	805,825,584	5.80%
2026	23,182,554	554,846	261,049	--	324,737	66,814,065	91,137,251	2,183,364	93,320,615	794,106,624	5.80%
2027	24,025,452	577,040	271,491	--	324,737	71,238,683	96,437,403	2,295,808	98,733,211	777,018,685	5.80%
2028	24,898,791	600,121	282,350	--	324,737	75,939,696	102,045,695	2,414,042	104,459,737	753,896,338	5.80%
2029	25,803,662	624,126	293,644	--	324,737	80,933,868	107,980,037	2,538,365	110,518,402	724,009,564	5.80%
2030	26,741,200	649,091	305,390	--	324,737	86,238,960	114,259,378	2,669,091	116,928,469	686,558,118	5.80%
2031	27,712,575	675,055	317,606	--	324,737	91,873,798	120,903,771	2,806,549	123,710,320	640,665,448	5.80%
2032	28,719,003	702,057	330,310	--	324,737	97,858,326	127,934,433	2,951,086	130,885,519	585,372,095	5.80%
2033	29,761,741	730,140	343,522	--	324,737	104,213,672	135,373,812	3,103,067	138,476,879	519,628,567	5.80%
2034	30,842,092	759,345	357,263	--	324,737	110,962,226	143,245,663	3,262,875	146,508,538	442,287,634	5.80%
2035	31,961,405	789,719	371,554	--	324,737	118,127,705	151,575,120	3,430,913	155,006,033	352,095,988	5.80%
2036	33,121,077	821,308	386,416	--	324,728	125,735,249	160,388,778	3,607,605	163,996,383	247,685,238	5.80%
2037	34,322,556	854,144	401,879	--	--	124,734,218	160,312,797	3,793,396	164,106,193	127,562,166	0.07%
2038	35,567,341	--	--	--	--	--	35,567,341	--	35,567,341	--	-78.33%

Notes: Actuarially Determined Contributions are assumed to be paid on July 1 and December 31.  
Actuarial Determined Contribution for fiscal year 2021 is set to the budgeted amount determined with the prior valuation.  
Item (2) reflects 3.25% growth in payroll as well as 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to generational mortality assumption.  
Projected normal cost does not reflect the impact of pension reform for new hires.  
2002 and 2003 ERI amortization payments calculated to increase 4.0% per year and 2010 and 2019 ERI amortizations are level.  
Payment on Retired County Sheriff Liability (item (8)) increases 5.15% per year and includes the 2002 ERI payment.  
Projected unfunded actuarial accrued liability does not reflect deferred investment gains and losses